# STIRLING COUNCIL

**MINUTES of MEETING of the AUDIT COMMITTEE held in the COUNCIL CHAMBERS, OLD VIEWFORTH, STIRLING on THURSDAY 26 MAY 2016 at 10.30 am**

**Present**

Councillor Scott FARMER (Convener)

Councillor Martin EARL (Substitute)
Councillor Danny GIBSON
Councillor Graham HOUSTON
Councillor Jim THOMSON

**In Attendance**

Louise Beattie, Business Managers, Social Services
Jim Boyle, Chief Finance Officer
David Bright, Resilience & Risk Manager, Corporate Operations
Alison Gallacher, Solicitor, Corporate Operations
Roslyn MacDonald, Trainee Solicitor, Corporate Operations
John MacMillan, Service Manager, Housing & Environment
Alan Milliken, Senior Manager, Children, Young People & Education
Kevin O'Kane, Audit Service Manager, Corporate Operations
Gerard O'Sullivan, Director of Corporate Operations
Iain Strachan, Chief Governance Officer
Gregor White, Communications Officer, Chief Executive's Office
Sheila McLean, Committee Officer, Corporate Operations (Clerk)

**Also Present**

Claire Gardiner and Matthew Cable, Grant Thornton, External Auditor

**Agenda**

The Convener intimated his intention to alter the order of the Agenda. The items were taken in the order minuted below.

**AC205 APOLOGIES AND SUBSTITUTIONS**

Apologies for absence were submitted on behalf of Councillor Neil Benny and Councillor Mark Ruskell. Councillor Martin Earl was in attendance as substitute for Councillor Benny.

**AC206 DECLARATIONS OF INTEREST**

There were no declarations of interest.

## AC207 URGENT BUSINESS BROUGHT FORWARD BY THE CONVENER

There were no items of urgent business.

## AC208 MINUTES – AUDIT COMMITTEE – 24 MARCH 2016

**Decision**

The Committee agreed to approve the Minutes of Meeting held on 24 March 2016 as an accurate record of proceedings.

Councillor Danny Gibson joined the Meeting at this point.

## AC209 RISK MANAGEMENT

A report by the Director of Corporate Operations submitted the Strategic Risk Register and invited Members to examine the Significant Risks facing the Council and the risk treatments put in place to reduce the risks.

The Strategic Risk Register contained the same 13 risks reported to the last meeting of the Committee on 24 March 2016. One change to risk status was noted.

An appendix to the report provided an update on Service Risk Registers, including one red service risk, with a score of 15 or above.

In response to questions from Members, the Children, Young People & Education Service Manager advised Members on steps taken by the Service to deal with a recent incident at Strathblane Primary School and gave an assurance that procedures had been followed.

The Resilience & Risk Manager advised that Risk SR/9 would be reviewed following the lodging of an official dispute by the JTUC.

**Decision**

The Committee agreed:-

1. to note the Risks within the Strategic Risk Register with specific attention to treatment actions and target dates;

2. to note the risks highlighted in paragraph 3.1 of the submitted report;

3. to note the Service Risk Register Status updated in paragraph 3.2 of the submitted report.

(Reference: Report by Director of Corporate Operations dated 16 May 2016, submitted).

## AC210 STIRLING COUNCIL DRAFT ACCOUNTS 2015/16

The Chief Finance Officer introduced his report which presented the draft Stirling Council Accounts for the year to 31 March 2016. Members were advised that the draft accounts must be presented to either the Council or a committee of the Council charged with audit or governance in accordance with the Local Authority Accounts (Scotland) Regulations 2014 by the statutory deadline of 30 June 2016. The Council or a committee of the Council charged with audit or governance must approve the accounts for submission to the external auditor.

The report outlined the key features of the financial position displayed in the 2015/16 draft accounts, incorporating a brief overview of the final outturns for General Fund and the General Services Capital Programme.

The draft accounts showed the Council ending the year with General Fund balances of £10.028m (4.9% of the 2015/16 budget). Although the reported outturn was expected to represent the final position for 2015/16, the figures remained subject to audit.

In response to questions, the Chief Finance Officer provided assurance in relation to the Council's ability to meet liabilities in terms of pension costs.

Discussion took place on the level of balances, which had remained above target for the past couple of years. The Chief Finance Officer explained that this was a deliberate strategy, taking a prudent approach to maintaining balances at a level to ensure the Council would be prepared to deal with any unforeseen events. Members suggested that the Accounts should include an explanation of why the target continued to be exceeded.

The Chief Finance Officer recorded thanks to the Corporate Accounting Team for their diligence in preparing the accounts timeously and this was echoed by the Convener on behalf of the Committee.

**Decision**

The Committee agreed:-

1. to approve the draft Accounts for submission to the External Auditor;

2. to note that available General Fund balances at 31 March 2016 would be £10.028m (4.9% of 2015/16 budget);

3. to note the position in terms of the Council's share of the net pension liability of the Local Government Pension Scheme.

(Reference: Report by Chief Finance Officer dated 19 May 2016, submitted).

## AC211 COMMON GOOD FUNDS AND CHARITABLE TRUSTS AUDITED ACCOUNTS 2015/16

A report by the Chief Finance Officer advised that the Council's External Auditors, Grant Thornton, had certified the Accounts for the year to 31 March 2016 of the Stirling, Bridge of Allan and Callander Common Good Funds, the Dunblane Cemetery Memorial Garden (Maintenance) Trust, and a further 19 small Charitable Trusts.

The Local Authority Accounts (Scotland) Regulations 2014 required either the Council or a committee of the Council charged with audit or governance to approve the audited Accounts for signature by the recommended deadline of 30 September 2016.

The Auditor's Final Reports on the accounts were the subject of a separate report on the agenda (Paragraph AC212 refers) and it was pleasing to note that there were no qualifications to the Independent Auditor's Reports on the respective accounts.

Following the meeting, arrangements would be made for the signed accounts to be placed on the Council's website for viewing by interested organisations and the general public.

Work also continued on the review of small charitable trusts and the report provided information on progress made to date.

**Decision**

The Committee agreed:-

1. to note the Auditor's Final Reports on the Accounts which was the subject of a separate report on the agenda;

2. to approve for signature the audited Accounts of the Common Good Funds and Charitable Trusts for the year ended 31 March 2016;

3. to note progress on the review of the small charitable trusts.

(Reference: Report by Chief Finance Officer dated 16 May 2016, submitted).

## AC212 EXTERNAL AUDIT REPORT ON THE CHARITABLE TRUSTS FINANCIAL STATEMENTS

The External Auditor presented a report on the audit of Charitable Trusts Financial Statements.

Members were advised that, under Section 106 of the Local Government (Scotland) Act 1973, charitable trusts where the Council was the sole trustee were subject to external audit. The report presented the external audit findings in respect of the Dunblane (Cemetery) Memorial Garden Trust, the Stirling Common Good Fund and Stirling Council Consolidated Small Charitable Trusts.

It was confirmed that an unqualified audit opinion was expected and that there were no unadjusted balances.

The External Auditor recorded thanks to the Finance Team for their work in preparing the Statements.

**Decision**

The Committee agreed:-

1. to note the content of the Annual Audit Report on the Charitable Trusts;

2. to approve the content of the letter of representation included in Appendix C of the submitted report.

(Reference: Report by External Audit dated 16 May 2016, submitted).

## AC213 GRANT THORNTON – EXTERNAL AUDIT AUDIT COMMITTEE PROGRESS REPORT MAY 2016

The External Auditor introduced a report which set out progress against the External Audit Plan, which had been presented to the Committee at its meeting on 28 January 2016.

Members were advised that the financial statements would be concluded by 31 July 2016 in advance of the signing date of 1 September 2016.

**Decision**

The Committee agreed to note the progress made by External Audit against the audit plan.

(Reference: Report by External Audit dated 16 May 2016, submitted).

## AC214 INTERNAL AUDIT RISK ASSESSMENT AND PLAN 2016-17: PROGRESS REPORT

A report by the Director of Corporate Operations provided the Committee with an update on progress made against Internal Audit's Risk Assessment & Plan 2016-17 and provided details of audit reports issued since the last meeting of the Committee on 24 March 2016.

One Internal Audit Summary Report was attached at Appendix 2 to the submitted report.

The Audit Plan Position Statement was attached at Appendix 3.

**Internal Audit Report Summary – Health & Social Care Integration Financial Assurance**

The scope of the audit was to review the financial assurance arrangements for Health and Social Care Integration within Stirling Council as part of the programme approved by the Audit Risk Assessment & Plan 2015/16.

One medium and one low risk had been identified, with no advisory issues.

The Audit Opinion was that substantial assurance could be given in respect of the financial assurance arrangements.

In response to questions, the Audit Manager advised that the audit had been carried out from a Stirling Council perspective, but confirmed he was comfortable with the other parties' audit arrangements and accuracy of reporting.

The Chief Finance Officer acknowledged that there were challenges in respect of different finance regimes across the parties, but he was confident in respect of budgets from the partner organisations.

The Committee noted that the Council's Audit Manager had been appointed as Chief Internal Auditor to the Clackmannanshire & Stirling Health & Social Care Integration Joint Board (IJB), as detailed in an IJB paper attached as Appendix 4.

**Decision**

The Committee agreed:-

1. to note the findings, risks, recommendations and statements of assurance set out in the Internal Audit Summary Reports at Appendix 2 of the submitted report;

2. to note progress made on the Risk Assessment & Plan 2016-17, as set out in the Position Statement at Appendix 3;

3. to note that the Council's Audit Manager had been appointed as the Chief Internal Auditor to the Clackmannanshire & Stirling Health & Social Care Integration Joint Board, as set out in the Integration Joint Board paper at Appendix 4.

(Reference: Report by Director of Corporate Operations dated 18 May 2016, submitted).

## AC215 INTERNAL AUDIT: ACTION TRACKING UPDATE

A report by the Director of Corporate Operations provided information on progress made by Services in implementing actions following Internal Audit reports, with a target date of 31 March 2016 or earlier. Appendix 2 to the report listed all 'high priority' actions that had not been completed in line with their original target dates as at 11 May 2016.

Members again raised concerns at the lengthy delay in progressing replacement waste collection software and officers were instructed to submit an update report to the next meeting of the Committee.

**Decision**

The Committee agreed:-

1. to note the Action Tracking report at Appendix 1 to the submitted report, which highlighted that there were 37 Internal Audit reports with actions that were outstanding. The reports included 32 overdue actions in terms of their current target dates and information provided to Internal Audit by 11 May 2016;

2. to note the report at Appendix 2, which provided details of the 13 'high priority' actions that were overdue in terms of their original target dates, including Services' explanations for slippage;

3. that a report be submitted to the next meeting of the Committee on 1 September 2016 providing an update on development and implementation of a new software package for commercial waste services.

(Reference: Report by Director of Corporate Operations dated 18 May 2016, submitted).

## AC216 INTERNAL AUDIT ANNUAL REPORT 2015/16

The Audit Manager introduced a report by the Director of Corporate Operations, which submitted the Internal Audit Annual Report 2015-16 in accordance with the requirements of Public Sector Internal Audit Standard 2450 (Overall Opinions) by providing the Committee with an annual report on Internal Audit activity, which was timed to support the preparation of the Council's draft Group Annual Governance Statement.

The Group Annual Governance Statement, which was part of the Council's audited annual financial statements, drew attention, if required, to any specific areas where the Council or any of its group entities needed to improve financial controls, operational controls or broader governance arrangements.

The Internal Audit Annual Report 2015-16 was attached at Appendix 2 to the submitted report for consideration by Members. It was noted that the Report had been submitted to the Council Management Team on 17 May 2016.

**Decision**

The Committee agreed:-

1. to note the Audit Manager's reporting obligations under Public Sector Internal Audit Standard 2450, as set out in Appendix 1 to the submitted report;

2. to endorse the Internal Audit Annual Report 2015-16 issued by the Audit Manager, attached at Appendix 2;

3. to note Section 7 of the Internal Audit Annual Report 2015-16, the 'Opinion for the Annual Governance Statement', which had been prepared to support the Council's Annual Governance Statement, and was incorporated in the draft Annual Accounts to 31 March 2016.

(Reference: Report by Director of Corporate Operations dated 18 May 2016, submitted).

## AC217 FRAUD & IRREGULARITIES REPORT: APRIL 2015 TO MARCH 2016

A report by the Director of Corporate Operations provided a summary of actual and potential losses, thefts and other financial irregularities reported to Internal Audit during the period 1 April 2015 to 31 March 2016. The report also provided an update on corporate counter-fraud activity during the period, including progress in respect of the National Fraud Initiative.

In response to questions, the Audit Manager advised that the nominal value used in respect of property recovery referred to in Appendix 2 of the submitted report was based on national guidance.

**Decision**

The Committee agreed:-

1. to note the Irregularities Report attached at Appendix 1 to the submitted report, and additional information in paragraph 3.3;

2. to note the Corporate Fraud Report attached at Appendix 2, and additional information at paragraphs 3.6 to 3.9 of the submitted report;

3. to note that, among other activities, the Fraud & Audit Officer assisted in the recovery of two properties that were subject to tenancy fraud: the nominal value of these recoveries equated to savings of £186,000.

(Reference: Report by Director of Corporate Operations dated 18 May 2016, submitted).

## AC218 REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 – ANNUAL REPORT 2015/16 – OFFICE OF THE SURVEILLANCE COMMISSIONERS' INSPECTION REPORT

The Solicitor introduced a report by the Director of Corporate Operations, which reported on the operation of the Regulation of Investigatory Powers (Scotland) Act 2000 within Stirling Council during 2015/16, the number of requests for authorisation of directed surveillance and the use of covert human intelligence sources.

Members were invited to approve the Action Plan developed to implement the recommendations of the Office of the Surveillance Commissioners' Inspection Report dated 24 November 2015, the revised Regulation of Investigatory Powers (Scotland) Act Policy and the Training Plan, both referred to in the Action Plan, which were included as appendices to the submitted report. It was confirmed that regular training would continue going forward and that this would include a cross section of Council employees and Services.

Members welcomed the information contained within the report which confirmed that no authorisations, activity or breaches had taken place in the year to 31 March 2016.

Clarification was given on the policy around the use of deployable CCTV, which had been approved by the Public Safety Committee.

**Decision**

The Committee agreed:-

1. to note that no authorisations for directed surveillance were granted in the year to 31 March 2016;

2. to note that there were no active covert human intelligence sources as at 31 March 2016, none having been recruited or used during the year;

3. to note that no breaches of the Council's Regulation of Investigatory Powers (Scotland) Act Policy, approved by Audit Committee at its meeting on 4 September 2014, had been identified in the year to 31 March 2016;

4. to approve the Action Plan developed to implement the recommendations of the Office of the Surveillance Commissioners' Inspection Report dated 24 November 2015, the revised Regulation of Investigatory Powers (Scotland) Act Policy and the Training Plan all attached as Appendices 2, 3 and 4 to the submitted report.

(Reference: Report by Director of Corporate Operations dated 19 May 2016, submitted).

## AC219 AUDIT SCOTLAND NATIONAL REPORTS UPDATE – AN OVERVIEW OF LOCAL GOVERNMENT IN SCOTLAND 2016

In response to the recommendation of the Council's external auditors that there should be a formal procedure for reporting Audit Scotland national reports to Elected Members, the Chief Governance Officer had arranged for all such reports to be considered by the Audit Committee.

The Chief Governance Officer introduced a report by the Director of Corporate Operations, which informed the Committee of the publication of an Audit Scotland national report entitled "An Overview of Local Government in Scotland 2016".

The Audit Scotland report reviewed the financial context in which local authorities were operating and gave a national overview of councils' financial performance. It also considered how councils were performing in delivering services and how they were changing the way they operated in the context of increasing pressures, looking at the implications for councils' workforces and highlighting key aspects of governance.

The report set out the key messages and recommendations made by Audit Scotland. Stirling Council's responses to the recommendations were set out in Appendix 4 to the submitted report.

**Decision**

The Committee agreed:-

1. to note the content of the Audit Scotland national report "An Overview of Local Government in Scotland 2016"

2. to note the content of the Audit Scotland paper "Financial Reporting & Scrutiny: Why the Accounts Matter."

(Reference: Report by Director of Corporate Operations dated 29 April 2016, submitted).

## AC220 AUDIT SCOTLAND NATIONAL REPORTS UPDATE – MAJOR CAPITAL INVESTMENT IN COUNCILS: FOLLOW UP

In response to the recommendation of the Council's external auditors that there should be a formal procedure for reporting Audit Scotland national reports to elected members, the Chief Governance Officer had arranged for all such reports to be considered by the Audit Committee.

The Trainee Solicitor introduced a report by the Director of Corporate Operations, which informed the Committee of the publication in January 2016 of an Audit Scotland national report entitled "Major Capital Investment in Councils: Follow-up". This report was an update following the publication by Audit Scotland of the report "Major Capital Investment in Councils" in March 2013.

The report covered a follow-up audit subsequent to the 2013 audit, to assess to what extent councils nationally had improved their performance in managing capital investment programmes and projects. The audit drew on baseline assessments performed by all 32 Scottish councils' external auditors during the financial year 2014/15 and a more detailed evaluation of a sample of eight councils (Stirling Council not included).

The report also considered the recommendations of the 2013 report, along with the good practice guide, and considered to what extent councils had succeeded in meeting those recommendations.

The report set out the key messages and recommendations made by Audit Scotland.

Members were advised that officers had been working towards reshaping the Council's Capital Programme and a report would be submitted to the Finance & Economy Committee at its meeting on 21 June 2016. The Council's internal audit report would be brought to the next meeting of the Audit Committee on 1 September 2016.

**Decision**

The Committee agreed:-

1. to note the content of the Audit Scotland national report "Major Capital Investment in Councils: Follow-up";

2. to note the review recently carried out by Internal Audit of the Council's capital programme, the revised procedures being prepared by the Director of Corporate Operations for the reshaping of the Council's Capital Programme, and that both matters would be the subject of future reports to this Committee and the Finance & Economy Committee respectively.

(Reference: Report by Director of Corporate Operations dated 17 May 2016, submitted).

## AC221 AUDIT SCOTLAND REPORT: CHANGING MODELS OF HEALTH & SOCIAL CARE

In response to the recommendation of the Council's external auditors that there should be a formal procedure for reporting Audit Scotland national reports to elected members, the Chief Governance Officer had arranged for all such reports to be considered by the Audit Committee.

The Audit Manager introduced a report by the Director of Corporate Operations, which advised of Audit Scotland's report on Changing Models of Health and Social Care, published on 10 March 2016 and highlighted relevant recommendations contained in that report.

The report was intended to build upon Audit Scotland's previous work on health and social care, to identify new local models of care and to help increase the pace of change. It aimed to support new integrated authorities to implement new ways of working and address the challenges facing health and social care services.

The report set out a number of key messages, in addition to generic recommendations for action by NHS boards and councils working with integration authorities. It also made recommendations for action by the Scottish Government and the Information Services Division of NHS National Services Scotland.

Members noted the importance of audit procedures for the Integration Joint Board (IJB). The External Auditor advised that they would include a report on the governance arrangements of the IJB in their annual report to the Audit Committee.

**Decision**

The Committee agreed to note the contents of Audit Scotland's national report on Changing Models of Health and Social Care, as attached at Appendix 1 to the submitted report, and the key messages and recommendations set out at pages 5 to 7 therein.

(Reference: Report by Director of Corporate Operations dated 18 May 2016, submitted).

The Convener declared the Meeting closed at 11.55 am